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Editor's Notes

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Editor's Notes

*'Twas brillig and the slithy toves
Did gyre and gimble in the wabe;
All mimsy were the borogoves
And the mome raths outgrabe.¹*

It seems to mean something, something sinuous and wetly slippery — or does it? In current vernacular, what, exactly, is the bottom line?

Lewis Carroll was playing games with his almost-words and if his slithy toves sounded less than pleasant it was really all in fun, and the reader accepted the intended whimsy. It was an early form of double-talk. Modern versions presented by politicians, and sometimes by accountants, replace the word that sounds as though it means something with phrases that sound charged with meaning. Contrived to impress an uncritical audience, they are usually not as innocuous as the mimsy borogoves, and are certainly less amusing.

What about some of those brillig footnotes in accounting statements, and the cost concepts that gyre and gimble through the assets — not to mention the creative accounting that has puzzled many readers of financial statements, causing them to erupt with some deservedly mome raths?

Our society laments its formidable problems with communications and yet spends money lavishly, in and out of holiday season, on wit-twisting games for children of all ages who enjoy unraveling the confusion. There was scarcely a Christmas tree last month that did not include some kind of expensive puzzle in its bounty. If properly gift wrapped, a few financial statements could have been included with the other games with a completely congruous effect.

The puzzlement has been taunting the accounting profession for at least a decade. Back in 1970 when Accounting Principles Board Statement No. 4 was issued, Paragraph .01 of Chapter 4 as

amended, began:

The basic purpose of financial accounting and financial statements is to provide quantitative financial information about a business enterprise that is useful to statement users, particularly owners and creditors, in making economic decisions.

Now that is straight-forward enough, and eminently ethical, but nevertheless the users of financial statements continued to stumble through the figures as bewildered as children lost in the forest. APB Statement No. 4 built no yellow brick road to guide them.

Prior to discussion of the financial statement objectives in Chapter 4 the APB Statement did mention (paragraph .27, Chapter 2) General Purpose Financial Statements and said:

Financial accounting presents information designed to serve the common needs of a variety of user groups with primary emphasis on the needs of present and potential owners and creditors.

Again, the intent was sincere and ethical but the definition was too broad to serve the specific needs of many in the business community.

In 1973 the American Institute of Certified Public Accountants published "The Report of the Study Group on the Objectives of Financial Statements," known as the Trueblood report, and since the timing was close to the inception of the Financial Accounting Standards Board the Trueblood objectives were incorporated into a Board Discussion Memorandum on June 6, 1974, and into subsequent public discussions. By December 2, 1976, the FASB had published "Tentative Conclusions on Objectives of Financial Statements of Business Enterprises," followed slightly more than a year later by the December 29, 1977, Exposure Draft "Objectives of Financial Reporting and Elements of Financial Statements of Business Enterprises."

Some five years after the Trueblood initiative the FASB chose to

address the objectives problem as the first of its series of concepts. Statement of Financial Accounting Concepts No. 1, published in November, 1978, is entitled "Objectives of Financial Reporting by Business Enterprises." Some of the Statement's *Highlights* give evidence of the sophistication emerging from broken molds of early platitudes. Consider:

Financial reporting is not an end in itself but is intended to provide information that is useful in making business and economic decisions.

The objectives of financial reporting are not immutable — they are affected by the economic, legal, political, and social environment in which financial reporting takes place.

The objectives are also affected by the characteristics and limitations of the kind of information that financial reporting can provide.

As the Securities and Exchange Commission proliferates disclosure rulings while the financial public, at the same time, decries the dense profusion (those mimsy borogoves) of footnotes already appended to financial statements, the accounting profession must come up with some very nimble gyre and gimble if it is not to sink entirely beneath the wabe. The language of accounting must be more than figures; succinct but expressive prose is a requisite for any financial statement of reasonable complexity. We do not foresee a Pulitzer Prize award for the best written statement but perhaps we should start to think of financial statements as a technical art form.

In this issue of *The Woman CPA* we explore some viewpoints as to the usefulness of statements and their comprehensibility, along with a look at differential disclosure, which is, of course, another name for special statements. They are all ways of looking at the financial statement puzzle.

Constance T. Barclay

¹Lewis Carroll, *Jabberwocky* (in *Through the Looking Glass*)